

Message Text

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ACTION EUR-12

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TAGS: EMIN, EINV, CA

SUBJ: SASKATCHEWAN PLAN TO NATIONALIZE POTASH INDUSTRY

REF: OTTAWA 4238

FOLLOWING IS FULL TEXT OF THAT PORTION OF SASKATCHEWN
PREMIER BLAKENEY'S NOV 12 THRONE SPEECH ("DRAFT ONLY" VERSION
WHICH EMBASSY OBTAINED FROM FEDERAL DEPT OF ENERGY, MINES
AND RESOURCES) DEALING WITH POTASH INDUSTRY:

BEGIN QUOTE

IN ONE IMPORTANT RESOURCE AREA THE POLICIES BEING FOLLOWED
BY MY GOVERNMENT HAVE BEEN LESS SUCCESSFUL IN COMBINING GROWTH
AND EXPANSION WITH AN ASSURED FAIR RETURN TO THE PEOPLE OF
THIS PROVINCE.

I REFER TO POTASH, PERHAPS OUR MOST IMPORTANT
NON-RENEWABLE RESOURCE.

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SASKATCHEWAN'S RESERVES OF POTASH ARE AMONG THE LARGEST
IN THE WORLD.

POTASH IS AN ESSENTIAL ELEMENT TO RAISE FOOD
PRODUCTIVITY IN MANY AREAS OF THE WORLD, PARTICULARLY
IN THOSE AREAS DEFICIENT IN FOOD PRODUCTION.

CURRENT PRODUCTION OF POTASH IN SASKATCHEWAN IS
EXCLUSIVELY IN THE HANDS OF PRIVATE CORPORATIONS, MOST
OF THEM SUBSIDIARIES OF GIANT MULTINATIONAL CONGLOMERATES.
NONE HAS ANY SIGNIFICANT OWNERSHIP OR CONTROL BY
SASKATCHEWAN RESIDENTS.

MY GOVERNMENT HAS ATTEMPTED TO WORK OUT AN
ACCOMMODATION WITH THESE COMPANIES WHICH WOULD -
THROUGH REGULATIONS, TAXATION AND PARTICIPATION IN
THE FUTURE EXPANSION - GUARANTEE GREATER PRODUCTION
CAPACITY, AN ASSURED FAIR RETURN TO THE PROVINCE AND
A GREATER OWNERSHIP ROLE FOR PEOPLE OF SASKATCHEWAN.

MY GOVERNMENT HAS BEEN FURSTRATED IN THESE ATTEMPTS.

THE RESPONSE OF A MAJORITY OF THE COMPANIES HAS
BEEN TO DECLINE TO PROVIDE INFORMATION REQUIRED TO BE
PROVIDED BY LAW, TO DECLINE TO PROCEED WITH EXPANSION
REQUIRED TO MEET ANTICIPATED FUTURE DEMAND AND TO
CHALLENGE IN A SERIES OF LEGAL ACTIONS THE RIGHT OF
THE PROVINCE OF SASKATCHEWAN TO CONSERVE THE RESOURCE
AND TO COLLECT TAXES FROM THE INDUSTRY.

MY GOVERNMENT HAS GIVEN CAREFUL CONSIDERATION TO
ITS STATED OBJECTIVES OF ENSURING EXPANSION OF POTASH
PRODUCTION AND AN ASSURED FAIR RETURN AND A GREATER
PARTICIPATING ROLE FOR THE PEOPLE OF SASKATCHEWAN AND
HAS CONCLUDED THAT THESE ARE VALID AND VITAL OBJECTIVES
TO BE PURSUED.

MY GOVERNMENT IS FACED WITH THREE OPTIONS.

FIRST, IT COULD RETREAT FROM ITS OBJECTIVES,
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ACCOMMODATE ITS POLICIES TO THE WILLINGNESS OF THE
INDUSTRY TO COMPLY AND SURRENDER FOR FUTURE GENERATIONS
OF SASKATCHEWAN PEOPLE THEIR HERITAGE FROM THIS VAST
RESOURCE.

THIS COURSE IS UNACCEPTABLE.

SECOND, MY GOVERNMENT COULD STAND STILL, PERMIT

PRESENT UNCERTAINTIES TO CONTINUE AND, THROUGH ATTRITION, DELAY THE EXPANSION OF POTASH PRODUCTION. THIS COURSE INVOLVES SERIES RISKS FOR SASKATCHEWAN:

- A RISK OF LOSS OF SASKATCHEWAN'S KEY POSITION IN WORLD POTASH PRODUCTION;

- A RISK OF HUGE LOSSES IN FUTURE TAX REVENUES;

- A RISK OF BEING ORDERED BY A COURT AT SOME TIME IN THE FUTURE TO REPAY HUNDREDS OF MILLIONS OF DOLLARS ALREADY COLLECTED.

THESE ARE RISKS MY GOVERNMENT IS NOT PREPARED TO TAKE.

THE THIRD OPTION IS TO REGAIN PROVINCIAL CONTROL OF OUR POTASH RESOURCE BY TAKING DECISIVE ACTION.

THIS IS THE COURSE MY GOVERNMENT PROPOSES TO PURSUE.

YOU WILL THEREFORE BE ASKED AT THIS SESSION TO APPROVE LEGISLATION WHICH WILL ENABLE MY GOVERNMENT TO ACQUIRE THE ASETS OF SOME OR ALL OF THE PRODUCING POTASH MINES IN THE PROVINCE.

WHERE THE TERMS OF AN AGREEMENT FOR SALE CAN BE REACHED BETWEEN MY GOVERNMENT AND A SELECTED POTASH COMPANY, IT WILL NOT BE NECESSARY TO INVOKE THE LEGISLATION. WHERE SUCH AN AGREEMENT CANNOT BE REACHED, HOWEVER, THE LEGISLATION WILL ENABLE MY GOVERNMENT TO EXPROPRIATE THE SASKATCHEWAN ASSETS OF THAT COMPANY AND WILL PLACE IN THE HANDS OF AN IMPARTIAL BOARD OF ARBITRATION THE DETERMINATION OF A FAIR AND EQUITABLE

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PRICE FOR THE ASETS ACQUIRED. THE ARBITRATION BOARD'S DECISION MAY BE APPLIED TO THE COURTS BY EITHER PARTY.

ALTHOUGH THE SIZE OF THE POTENTIAL INVESTMENT BY THE PROVINCE IS LARGE, IT WILL BE A FULLY SELF-LIQUIDATING INVESTMENT, PAID FOR BY POTASH MINED IN THE FUTURE. NO TAX INCREASES WILL BE RQUIRED, NOR WILL GENERAL TAX REVENUES BE DIVERTED TO MEET CAPITAL REQUIREMENTS FOR THIS VENTURE.

PRESENT JOBS IN THE INDUSTRY AT ALL LEVELS WILL BE PRESERVED. INDEED, THROUGH EARLY EXPANSION, HUNDREDS OF NEW JOBS WILL BE CREATED.

MY GOVERNMENT BELIEVES THAT MY ACHIEVING EFFECTIVE

CONTROL THROUGH OWNERSHIP OF A MAJOR PART OF THE
INDUSTRY IT WILL BE POSSIBLE:

- TO ENSURE ORDERLY EXPANSION OF PRODUCTION IN
SASKATCHEWAN TO MEET GROWING WORLD NEEDS;
- TO REGULATE PRODUCTION TO CONSERVE POTASH IN THE
BEST INTERESTS OF SASKATCHEWAN PEOPLE;

- AND TO ENSURE A SECURE FLOW OF REVENUE TO ALL
THE PEOPLE OF SASKATCHEWAN.

OTHER IMPORTANT BENEFITS WILL FLOW FROM REPATRIATING
CONTROL TO SASKATCHEWAN. THE INDUSTRY WILL OFFER NEW AND
CHALLENGING OPPORTUNITIES IN RESEARCH AND SENIOR MANAGE-
MENT TO SASKATCHEWAN PEOPLE HERE AT HOME. THROUGH
SASKATCHEWAN CONTROL OF POTASSIUM FERTILIZER, THERE MAY
BE OPPORTUNITIES TO SEE THAT SASKATCHEWAN FARMERS ARE
GURANTEED ADEQUATE SUPPLIES OF NITROGEN AND PHOSPHATE
FERTILIZERS AT REASONABLE PRICES.

IN SUMMARY, MY GOVERNMENT'S OBJECTIVES IS TO ASSURE
THE GREATEST POSSIBLE BENEFITS FOR SASKATCHEWAN PEOPLE BY
GAINING EFFECTIVE CONTROL OF THE SASKATCHEWAN POTASH
INDUSTRY THROUGH OWNERSHIP.

MY MINISTERS WILL ALSO PLACE BEFORE YOU NEW
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LEGISLATION RESPECTING THE POTASH CORPORATION OF
SASKATCHEWAN. END QUOTE. PORTER

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